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The
Great Fiscal Reform
and
Rehabilitation
of
Italian Finances



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The Great Fiscal Reform *and* Rehabilitation of Italian Finances

“. . . We have already enriched the national revenue by over a billion lire from taxation, which when fully developed will yield to the Treasury two billion lire or more. We have thus started toward the restoration of our national balance sheet. . . . Of all the nations whose economic status has been upset by the turmoil of war Italy has been the first to face resolutely the problem of financial reconstruction. . . . We have laid the firm foundations for a great fiscal edifice which our successors will continue and perfect. Our work can of course be amended and improved, but from this day on Italy will possess a fiscal system capable of meeting all demands made upon it. We shall now be able to assess both capital and income, whereas under the former system landed property was the most burdened, while personal estate escaped its right share of the incidence. . . . The percentage rates of taxation which we have fixed are not unduly heavy and this will facilitate the task of the fiscal authorities and reduce the temptation to defraud the Treasury. As Minister of the Treasury it has been and is my duty to consider not only the yield of the taxes, but also the national economic conditions as a whole. . . . I think, however, that I can safely say that we have established a system which will give powerful assistance to the government finances in fighting themselves and enable them to face future needs. If the new taxes do not yield enough the rates can be increased. . . . Fully conscious of the task before us, and confident in the future, we have initiated the work of consolidating the national debt and reducing the paper currency, the inflation of which is the source of so many evils.”

—From report of His Excellency Schanzer, minister of the Italian Treasury, to the Chamber of Deputies, on December 16, 1919.

General Fiscal Measures and the Voluntary Loan

The fiscal reform is embodied in a series of Royal Decrees dated November, 1919, published in the Official Gazette of the Kingdom and registered in the Auditing Department, and is already in force, from the first of January, 1920.

The reform, originally framed by Signor Meda, covers the levying of new taxes and the reorganization of direct taxation and taxes on business transactions and on commodities already in force.

The underlying principle followed is that of progressive taxation, the rate increasing proportionately to the wealth on which it is levied, and the rate becoming very high in the case of war fortunes. Incomes are classified for taxation purposes in accordance with their character, different rates being applied to incomes derived exclusively from the investment of capital, from capital and labor combined, and from labor only. Taxes are imposed on all purchases of goods not necessary to the life of the individual, and very high rates are applied to expenditures for luxuries.

To eliminate the present deficit in the national budget, the Treasury indebtedness incurred to meet war expenditure must be gradually paid off, and for this purpose a new tax is levied—the extraordinary tax on fortunes. This tax is levied in the first place on increase in fortunes resulting from the war, perfecting and completing the taxation already in force on war profits. In the second place it is levied on the taxpayer's normal fortune.

The tax on increase in fortune resulting from the war will take effect immediately, and will be paid in a lump sum during the current year, 1920. The tax on normal fortunes will, on the other hand, be extended over a period of thirty years, commencing January 1, 1920. This is done because while it is practicable to levy an immediate tax on war fortunes recently accumulated and therefore probably still in part liquid, it would not be practicable to demand payment of tax in a lump sum, or within a brief period of time, on fortunes of long standing, and therefore invested in lands, houses, bonds, etc., without seriously disturbing the money market and the economic life of the country.

With the payment of the tax on normal fortunes spread out over a period of thirty years it became necessary to take other steps to avoid undue delay in obtaining the relief which this special taxation was to

secure. Credit operations were planned so as to place immediately at the disposal of the government means for the gradual reduction of Treasury indebtedness and the return to a normal monetary situation, thus anticipating the revenue to be derived from the tax on fortunes.

This has been done by floating the new consolidated 5% loan. The greater the success of this loan, the greater will be the relief afforded to the present financial situation, and the more rapid will be the reduction of our outstanding circulating medium. At the moment (March) the loan has already reached nearly 20 billion lire.

Steps were then taken to meet any future deficit by reorganizing direct taxation of incomes, replacing the many former taxes by a normal income-tax supplemented by additional progressive tax on total income. The former will be levied on incomes in accordance with their character, while the latter will be levied on the total income accruing to each tax-payer.

This second reform comes into force on January 1, 1921, this date having been fixed so as to avoid administrative difficulties and possible gaps in revenue.

It will ensure a larger revenue both because it is assessed at higher rates than formerly, and because it will be levied on incomes which escaped taxation in the past. Moreover, the measures taken for the assessment and appraisement of taxable values will be much more severe and accurate.

At the same time all municipal and provincial duties and taxes are being replaced by additional super-taxes on behalf of aforesaid Communes and Provinces.

This great reform is supplemented and completed by drastic amendments to the tax on business transactions and the tax on commodities, which will harmonize them with the new system of taxation and the principles and aims which govern it.

The careful organization of the whole system and the method of procedure adopted makes it very difficult to defraud the Treasury.

Extraordinary Tax on Fortunes

The tax on fortunes is an extraordinary tax levied on the tax-payer's fortune and applied progressively in two successive ratings.

The first rating is levied on the increase in fortunes derived from the war—which is the first curtailment that the fortune undergoes

before being subject to the normal tax. This tax will be collected in a lump sum during the current year, and will be the first applied, as it is the first among those demanded by public opinion.

The second rating is a tax on normal fortunes—which is applied to the wealth remaining after deducting the excess fortunes derived from the war. This second tax will be paid in installments over a period of thirty years, so as not to compel tax-payers to liquidate their holdings or to realize their assets with undue haste.

These taxes are governed by Royal decrees Nos. 2164 and 2169, dated November 29, 1919.

(A.) Tax on Increase in Fortunes Derived from the War and Tax on War Profits

The tax on war profits, which is already in existence, is controlled by regulations decreed June 9, 1918, No. 857, and amendments thereto. This tax is levied on the profits acquired from August 1, 1914, to December 31, 1919, and on those accruing before 1920. This tax, which may average about 50%, was found to be insufficient when applied, and therefore has been joined with the tax upon increase in fortunes derived from the war, since it refers to the same period and is derived from incomes acquired in commerce or industry or in acting as intermediary, in this latter being included any transactions executed for gain.

This tax is levied on individuals and collective bodies, and falls not only upon those who have already paid taxes on war profits, but also upon all others who, by any evidence, can be shown to have gained wealth during or by means of the war.

In order to determine the taxable increase in fortunes there must be deducted from the total income of the tax-payer during the period under consideration :

The normal income;

The tax on war profits;

All other taxes and public levies, inherent to such profits;

The sums of money which the tax-payer can show to have been expended in beneficiary acts or for civic aid, public instruction and other acts of a public nature, during the period.

A graduated progressive rate is levied on the net taxable increase in fortune thus determined, and is applied differently, according to whether the income is received through commerce and industry or through intermediary acts.

In the first case, any increase in fortune which does not amount to 20,000 lire for the entire period under consideration, or the maximum amount corresponding to 5% of the tax-payer's fortune, is exempt from this tax. To that portion of the taxable increase in wealth which exceeds the aforesaid percentage are applied the following rates:

10%	on the increase exceeding	5%	but not 10%	of the fortune
20%	" " "	10%	" " 20%	" "
30%	" " "	20%	" " 30%	" "
40%	" " "	30%	" " 40%	" "
50%	" " "	40%	" " 50%	" "
60%	" " "	50%		

In the second case, the above increases which do not amount to 20,000 lire, or that maximum amount corresponding to 5/10 of the tax-payer's normal income, are exempted from this tax, and to the taxable part of the increase in fortune are applied the following rates:

10%	upon the increase exceeding	5/10	but not 10/10	of normal income
20%	" " "	10/10	" " 20/10	" "
30%	" " "	20/10	" " 30/10	" "
40%	" " "	30/10	" " 40/10	" "
50%	" " "	40/10	" " 50/10	" "
60%	" " "	50/10		

The difference between the two cases is justified by reason that while the merchant and the manufacturer have capital invested in commerce and industry, the intermediary has little or no capital invested to carry on his business.

This new tribute, which is rated progressively and is imposed on all such balance of war profit, on a graduated increasing scale at a rate varying from 10 to 60%, represents an average levy of about 45% on the taxable amount. Considered in relation to the total war profit, this tax is to be reckoned as equivalent to 22½%.

It therefore follows that about 72½% of ascertained war profits (i. e., 50% tax and war tax on profits, and 22½% tax on increased capital) is forfeited to the Italian Treasury.

The tax must be paid to the Treasury in one amount, during 1920, and not later than March 31 of the same year each tax-payer must file his return of the increase in fortune derived from the war.

It is not necessary to dwell at length upon the method and procedure for the application and collection of the tax itself, nor upon the penalties for infraction of laws.

(B.) Tax on Normal Fortunes

After deducting from each tax-payer's fortune the tax on war profits and then the tax on the increase in fortune due to the war, there will be taken out of the remainder, which may be termed the tax-payer's normal fortune, a new tax, levied upon the original fortune existing prior to the war.

Taxable basis and exemptions:

The above tax must be paid by individuals and collective bodies which, however, do not operate in the interest of members or shareholders.

Both citizens and foreigners are subject to the tax on fortunes consisting of wealth existing within the country. This includes the following:

Capital invested in lands and buildings, within the territory of the Kingdom;

Capital invested in any other form and resulting from contracts or agreements made within the Kingdom, or proceeding from deeds recorded in the Registry of Deeds of the Kingdom;

Italian securities of any kind, wheresoever possessed, whether by citizens or foreigners, and foreign securities possessed by citizens residing within the Kingdom;

Commercial funds, patents, credits, cash, live stock, farm tools and implements, and all other possessions which form part of the value of industrial, commercial and agricultural enterprises;

All other possessions in the Kingdom.

Citizens, moreover, must pay the tax upon wealth consisting of properties outside the Kingdom, when such properties were not possessed before July 1, 1919. By this means it is sought to levy on capital transferred abroad for the purpose of evading the tax.

Foreign capital, however, is not subject to the tax on fortunes. This includes remittances from emigrants which are deposited before January 1, 1920, in Credit Institutions or Postal Savings Banks, or which enter the country after the above date, and foreign securities possessed by foreigners residing within the Kingdom.

The following are exempt from the tax on fortunes:

The State itself and all foreign States, for whatever property is possessed within the Kingdom;

The Provinces and Communes (including municipal enterprises);

Public charitable institutions;

Any other class of bodies whose capital is not employed in commerce or profit making, but is dedicated to the higher aims of social usefulness, such as charity and education;

Diplomatic and consular agents of foreign nations, with some limitations and under special conditions.

Appraisal of fortunes and rates to be applied:

The application of the tax on fortunes to lands and buildings extends over two periods.

The first is provisional and lasts for six years. During this period the valuation is arrived at by applying the coefficient of a fixed multiplier of 325 to the principal fiscal tax for 1916 in the case of lands, and by multiplying the assessed rental for 1919 by 25 in the case of buildings.

Meanwhile, the tax upon incomes will be adjusting itself, and the net income upon lands and buildings will become known, so that after six years their value can be determined more exactly and equitably.

In this second or normal period, the revaluation of lands and buildings will be effected by capitalizing the respective net incomes at 5%.

Whenever such revaluation shows greater or lesser differences of at least one-quarter of the preceding valuation it will be possible to proceed to a settlement of the tax already paid, by means of supplementary taxation or reimbursement.

The first provisional period is necessary because of the long time needed and the serious difficulties to be met in appraising all the fixed property of the nation, and because of the still existing restrictive measures on rents, decreed during the war.

The valuation of securities and of business enterprises, however, takes place immediately and in a rational manner.

The value of securities is based on their current prices.

In valuing foreign securities of any kind, the course of exchange is considered, and when elements of valuation are lacking or are found insufficient it is within the power of the Treasury to accept as a taxable

basis the value declared by the tax-payer, or to demand that the securities themselves be turned over to it for the declared value, to the entire amount of the tax due.

In order to calculate the value of commercial and industrial enterprises managed by individuals forming companies of limited or unlimited liability, consideration is given not only to the capital invested in the business, but also to the ordinary income, this latter being capitalized at a rate varying from 10 to 30%, according to the relative value of the capital and the labor in producing the income itself.

Stock companies are not included in the category of bodies subject to the tax on fortunes which will be applied, instead, to the shares owned by each stockholder, and which will be accounted for in determining the taxable wealth of the stockholders.

In the case of foreign firms and corporations operating in Italy under any legal form, the valuation of wealth is based upon the capital which is invested or existent in the Kingdom.

Having appraised the gross assets composing the fortune, the following liabilities are deducted from the complete total:

Debts charged to the tax-payer;

Sums equal to taxes on fixed property which is part of the tax-payer's wealth;

Tax on war profits, and tax on increase in fortunes due to the war.

After having made these deductions there is added to the net fortune remaining 5% of the net fortune itself, for the value of furniture and jewels and 1% for the value of cash on hand possessed by the tax-payer.

The rate for furniture and jewels is reduced to 3% for the foreigner residing abroad, when the same foreigner possesses furniture in the Kingdom.

After deducting the liabilities from the gross wealth and adding thereto the portion for furniture, jewels and cash, there remains the total taxable fortune.

This total is exempt from the tax if it does not equal 20,001 lire. To this figure the progressive rate is applied, which corresponds, for the entire period of thirty years, to a minimum of 5%, and is increased to a maximum of 25% upon fortunes of 100 millions or over.

To give to the tax the character of an annual contribution for the entire period of its duration, the rate for the thirty years will be applied according to the annual rates listed in the following table:

Above	20,000 lire,	5%	for 30 years—or yearly rate of	0.167%
"	50,000 "	5.95%	" 30 "	" " 0.198%
"	100,000 "	6.68%	" 30 "	" " 0.228%
"	200,000 "	7.73%	" 30 "	" " 0.258%
"	500,000 "	9.19%	" 30 "	" " 0.306%
"	1,000,000 "	10.47%	" 30 "	" " 0.349%
"	2,000,000 "	11.98%	" 30 "	" " 0.398%
"	5,000,000 "	14.19%	" 30 "	" " 0.473%
"	10,000,000 "	16.18%	" 30 "	" " 0.539%
"	20,000,000 "	18.44%	" 30 "	" " 0.615%
"	50,000,000 "	21.93%	" 30 "	" " 0.731%
"	100,000,000 "	25%	" 30 "	" " 0.833%

On fortunes between any of the above amounts, taxation will be applied pro rata.

There are two exceptions to the application of the above rates:

The tax due from corporate bodies not operating in the interest of members, and from mutual benefit associations is computed in proportion at the rate of 0.30% per year.

The tax upon capital of foreign companies operating in the Kingdom, when it is not possible to allocate the quota attributable to each member, is applied at the rate of 0.50% per year.

Method and procedure in application of tax—

Revaluations—Penalties:

Every tax-payer must make a return of his wealth by March 31, 1920, specifying all his assets (including cash) and all his liabilities, as of January 1 of that year.

Six years from January 1, 1920, a new return must be filed, and similarly at subsequent eight-year periods.

Such revaluations, together with the distribution of the tax payments over a long period of thirty years, extends the levy in part to succeeding generations.

Severe penalties and strict rules are prescribed in order that no part of the fortune evade or seek to evade the tax.

Besides heavy fines, including the eventual confiscation of concealed assets and the oath exacted from the tax-payer by the fiscal authorities to test the veracity of his declaration, special regulations are provided in order that bearer bonds and capital invested abroad after July 1, 1919, do not escape the tax.

Considerations granted tax-payers who suffered war damages:

The extraordinary tax on normal fortunes, although general in character, could not be applied uniformly to the taxpayers of those Provinces whose wealth had been damaged by act of war.

It was necessary in this connection to take into account the legislation regarding the reparation for damages in these Provinces; and, since such legislation does not allow complete reparation for damages due to loss of income or possessions, it was necessary, out of justice, that the unrecoverable damage be regarded as a genuine contribution to the country.

Meanwhile, these unrecoverable damages are taken into account and deducted from the extraordinary tax on fortunes, which would be due from tax-payers of these regions.

Direct Taxation of Incomes

The Royal Decree No. 2162, Rome, November 24, 1919, abolished the direct taxes then in force on lands, buildings, incomes, on salaries and fees received by the directors and solicitors of commercial companies, and by the directors and managers of stock companies, on the extra war tax on incomes known as "centesimi di guerra," the special personal war tax, and the special tax on ground rents. All the above have now been replaced by a *normal tax on incomes*, and by a *supplementary tax on total income*.

This same decree likewise abolishes existing municipal duties or taxes levied on the family or the home, on ground values or houses, and replaces them by *local super-taxes* to be added to the aforesaid taxes on behalf of the Communes and Provinces.

The new system will come into force on January 1, 1921.

(A.) Normal Income Tax

Taxable basis, classification of incomes, rates to be applied:

The normal income tax is levied on all incomes existing in the country.

Such incomes are grouped and classified under four heads:

A—Incomes obtained from invested capital only.

B—Incomes obtained from capital combined with human labor, such as those obtained by engaging in industry or commerce, and, from January 1, 1926, incomes derived from capital invested in lands.

C—Incomes obtained solely from labor in the exercise of any profession or art, or by rendering services, exclusive of employment in the civil service. Under this head comes incomes derived from payments made voluntarily in return for any kind of service, and incomes which are not obtained from capital nor, directly, from labor, such as annuities and pensions.

D—Incomes derived from employment in the civil service.

A different rate of taxation is fixed for each category, higher in the case of incomes derived solely from capital, which call for no effort or sacrifice on the part of the tax-payer; lower and decreasing on a sliding scale in the case of incomes toward the production of which the tax-payer contributes effort and sacrifice to a greater or lesser degree.

The tax on incomes derived from capital (real estate, bonds, loans, stocks, etc.), amounts to 18%.

Incomes derived from capital and labor (commerce and industry) are taxed 15%.

Incomes derived from labor (professions and labor services), are taxed 12%.

Incomes derived from employment in the civil service are taxed 9%.

Incomes derived from capital invested in land will come under the category B from January 1, 1926, and will be taxed 15%. Meanwhile they will be subject to the former rate.

The following exemptions are granted:

The King and the Royal Family, in respect only of the civil list and appanages. The exemption, therefore, does not apply to their private resources and property;

Diplomatic agents of foreign countries in respect to all their sources of income, with the exception of capital invested in land or buildings;

Consular agents if they are not nationals or naturalized, in respect to incomes derived from the exercise of their functions;

Men on active service in the Army or Navy below the grade of officers, and in regard to income derived from their military services.

The incomes of mutual aid societies, except those derived from capital invested in land or buildings.

Permanent exemption is granted to the interest on all government loans and debentures, including those in the form of Treasury bonds, with the exception of such as were subject in the past to income tax.

Temporary exemptions are also granted the following:

Increased income obtained from reclaimed lands;

Incomes derived from newly built house property;

Incomes obtained from industrial plants newly erected for the production of goods hitherto not made within the territory of the Kingdom.

These exemptions are granted respectively for periods of twenty, two, and five years, dating from the time when the increased income or the new income is materialized.

*Appraisal of incomes and determination
of net taxable value:*

The taxable income derived from the various sources will in each case be determined upon the basis of the gross income obtained minus special deductions allowed in each class of income.

In the case of stock companies whether the liability be limited or unlimited, the taxable income is considered to be the working profits actually distributed or assigned in the form of interest on capital or dividends, or distributed under any other title to the shareholders, managers or third parties.

In the case of co-operative societies for distribution or production, National associations for mutual insurance, savings banks, pawn brokers (monti di pieta), corporations for providing land credit which do not carry on business for the profit of their members, and such like, special provisions are made in consideration of the special nature of such undertakings and tend to aid the purposes they have in view.

Determination and verification of incomes—Procedure in cases of dispute:

The determination of taxable income and the assessment of taxation are made by special bodies representing the government, in co-operation with or in contradiction to the tax-payer.

Every citizen is required to make his own return for the purpose of income tax, drawn up in accordance with the regulations laid down in a special ruling. Said return must distinctly state the income of the tax-payer classified under the respective heads, indicating the gross receipts and the expenses and annual liabilities inherent thereto.

The verification of the returns, hitherto intrusted exclusively to a sole tax collector, will in the future be entrusted to a newly established collegiate body known as the Committee for Estimates (giunta di stima).

Provision is made that disputes which arise between the fiscal authorities and the tax-payers in the matter of income tax returns will be judged in the first instance by the District Fiscal Commission (Commissione Erariale mandamentale), in appeal by the Provincial Fiscal Commission (Commissione Erariale provinciale), and in the last resort, in special cases provided for in the act, by the Central Fiscal Commission (Commissione Centrale Erariale).

The fiscal agents, officers and members of the valuation board and of the commissions of appeal are empowered to demand of government and other public officials, extracts of any documents which they may need, and have right of access to business and industrial establishments; may inspect books, ledgers, and deeds of all kinds kept by corporations, companies and private persons carrying on industry or commerce; they may demand of tax-payers information on all matters referring to their business dealings with individuals or firms; and they may summon the tax-payer to appear before them to give explanations and call to their office for consultation any person able to give information. They are, however, bound to professional secrecy.

Periodical revisions and revaluations—

Cessation of incomes and release from taxation:

Both the tax-payer and the fiscal authorities may ask for revisions.

The incomes derived from house property may be revised at any time, if the income has increased by at least one-third or decreased by

at least one-fourth of the previous amount, and at an interval of five years from the date of presentation of the return or of the last revision, when the quotas as above are found respectively to have changed by one-fifth or one-sixth.

Incomes derived from mixed sources and from labor only are revised and revalued every four years in accordance with specially prescribed rules. The tax-payer may ask that they be revised every two years.

Stock companies, including foreign companies empowered to do business within the Kingdom, and all corporations required to draw up balance sheets, must make returns for income tax each year for the ensuing year. In their case revaluation is made from year to year.

The cessation of income entitles to release from taxation from the day on which the income ceases.

In the case of incomes derived from capital invested in lands, however, the former provisions continue to be in force, and in the case of incomes from land, special rules must be followed.

Penalties and special provisions for the enforcement of the law:

Those who fail to observe the requirements of the act will be liable to penalties, more or less severe according to whether they do so with intent to defraud the Treasury or in good faith.

Persons who fail to make their returns within the prescribed time, or whose returns are at least one-third less than the amount shown by the valuation, render themselves liable to heavy fines. Similar penalties will be incurred by persons who fail to appear at the appointed time at the Treasury office or before the several commissions to give information or explanations, and by those who in any way fail to assist the fiscal authorities in their work of verification and inquiry.

When it is found that an attestation under oath is not truthful, a heavy fine is inflicted. Any tax-payer who refuses to sign an attestation is also liable to a fine.

Other penalties are provided for persons who fail to make returns of their incomes.

The owners of fixed incomes and of annuities cannot enforce their rights against the persons from whom said incomes are due unless they can at the same time prove that they have made returns of said incomes for the purposes of taxation.

Legislative measures already existing to enable the Treasury to recover from the property of the tax-payer sums due for taxation remain in force, and new measures against recalcitrant tax-payers have been enacted.

The Government, Provinces, Communes and corporations subject to government control cannot employ as council advisors, valuers, experts, or give public or private contracts to professional men, contractors, or business men who have not paid up their taxes which have fallen due.

Should professional men be found not to have paid up their taxes for more than a year the court may, at the request of the fiscal authorities and after hearing the opinion of their respective professional boards, suspend them for a month or for a year from the right of exercising their profession.

(B.) Progressive Supplementary Tax on Total Income

Taxable basis and exemptions:

This tax, which is of a personal nature, is based on a progressive rate, and tends principally to burden the larger incomes.

Individuals only are subject to this tax. Therefore corporations, commercial companies and all bodies or associations that are not considered groups of individuals living together and sharing in common goods or labor, are excluded from this tax.

Personal incomes derived from the above companies, bodies, etc., by persons as employees, salaried persons, pensioners, assignees, members, stockholders, executives, or under any other title, are applied and taxed in the name of the person having disposition thereof.

Every individual is assessed for his own receipts or for those of which he has free disposition, control or use, without being obliged to surrender his accounts.

Any citizen or foreigner residing within the Kingdom must pay the tax upon the total income derived therein, and upon that part of his income derived from abroad, if enjoyed within the Kingdom.

A citizen residing abroad is taxed upon that part of his income derived within the Kingdom.

A foreigner is a resident if he has lived in the country for at least one year. A foreigner living outside the Kingdom is not subject to the supplementary tax upon income derived in Italy if that income is enjoyed abroad.

A citizen as well as a foreigner, however, is also subject to tax upon that part of the income derived from abroad which is enjoyed within the Kingdom, when he has lived within the Kingdom a part of the year.

Exemptions from the supplementary tax are limited to:

The King and the Royal Family;

Ambassadors and diplomatic representatives of foreign nations;

Consuls or consular agents, not nationals nor naturalized, if similar treatment is granted by the countries they represent and if they do not carry on commerce, industry or professions within the Kingdom.

Valuation of total income, determination of amount subject to the supplementary tax, and rate to be applied:

The tax-payer's total income must be appraised upon the basis of the separate incomes received and enjoyed in the year preceding the declaration of same, and the appraisal of each income must be made based upon the net amount subject to the normal tax, except in some cases.

Those incomes which are exempt, in full or in part, permanently or temporarily, from the normal tax are considered part of the total income subject to the supplementary tax.

Sums of money derived from legacies, gifts, or from life insurance policies are excluded.

From the tax-payer's total income the following may be deducted, if not already deducted at source of appraisal as in the normal tax:

Expenses and losses in business or professions, not including living expenses of the tax-payer or of his family;

Taxes or duties of any kind, including the extraordinary tax on fortunes, and excluding the supplementary tax and the relative super-taxes;

Annuities and deduction for pensions, premiums on life insurance policies of the tax-payer or his family, deposits in savings banks, mutual aid societies and the like.

When the total income is shorn of all expenses, losses and annuities as above, the tax-payer is granted another allowance for expenses of his family, from a minimum of 600 lire to a maximum of 1,500 lire for each member of his own family.

If the total income, after deducting the allowance for family, does not exceed 3,000 lire, or if when it exceeds 3,000 lire a taxable net amount of 1,500 lire is not reached after the deductions, the supplementary tax does not apply. On the contrary, the following is applied:

To net taxable income of	1,500 lire—a proportionate tax of	1.00%
" " " "	5,000 " "	1.69%
" " " "	10,000 " "	2.28%
" " " "	20,000 " "	3.08%
" " " "	50,000 " "	4.53%
" " " "	100,000 " "	6.19%
" " " "	300,000 " "	8.36%
" " " "	500,000 " "	12.43%
" " " "	1,000,000 " "	16.80%
" " " "	2,000,000 " "	22.69%
" " " "	" 2,500,000 " or more,	25%

To intermediate incomes are applied corresponding progressive rates.

Method and procedure in application of supplementary tax:

The methods and regulations governing the application of the supplementary tax are in general the same as in the application of the normal tax.

A return must be made by every tax-payer having a total income exceeding 3,000 lire, and must contain a detailed description of all wealth possessed, with specific showing of expenses, burdens and deductible outstanding debts, and of deductions for family allowances to which they are entitled.

The return must be filed between May 1 and July 31, 1921, while the tax is effective as of January 1 of the same year. The revision of income returns is placed to the credit of the Treasury and the tax-payer after a three-year period from the preceding verification has transpired.

(C.) Local Taxes

Local super-taxes in behalf of Communes and Provinces:

With regard to local taxes Royal decree No. 2162, Rome, November 24, 1919, refers only to that portion which has direct relation to the state tax, without attempting a definite adjustment of local revenue. However, it prescribes that during 1920 new regulations be enacted by legislation for the definite classification of local taxes.

Meanwhile, the Communes and Provinces are permitted to add some "centesimi" to the normal tax upon incomes derived from buildings and lands in order to compensate them for the abolished municipal taxes, and they have also been granted power to add some "centesimi" to the supplementary tax.

Having finally obtained definite expression of their needs from the Communes and Provinces, they, the Communes and Provinces, will be authorized to levy in their behalf, a special rate upon incomes derived from industry, commerce, or professions, and to reach by a tax those incomes not already subject to the above levy.

Revision of Supplementary Taxes

The Royal decree, No. 2163, Rome, November 24, 1920, authorizes and empowers a series of amendments and additions to the rates of taxation upon business and commodities, seeking to harmonize these taxes with the principles and the aims of the general fiscal reform. Such supplementary revisions relate especially to the following:

Taxes on registration, duties and inheritance;
Stamp tax upon sales of luxuries and articles of common use;
Ordinary stamp taxes;
Taxes for compounding for stamp and registration duties;
Mortgage taxes;
Taxes upon government concessions;
Taxes on mortmain;
Taxes upon bicycles and other mechanical vehicles;
Stamp tax upon mineral waters;
Taxes upon insurance policies.

The revision aims to increase the taxes already existing, as in the case of taxes upon registration, mortgages, government concessions, mortmain, insurance policies, bicycles, and those for compounding for stamp and registration duties.

The inheritance taxes have also been increased without affecting the rates upon direct succession or between husband and wife, where the amounts concerned do not exceed 5 million lire. The maximum rate between relatives more than six times removed and between non-relatives is 50%. A supplementary tax has been added on inheritances devolving on persons already rich, and who are neither husband nor wife nor relatives in direct succession of the deceased.

The tax upon automobiles has been revised and fixed according to predetermined groups of dynamic force and according to the actual verified number of horsepower.

The new taxes are those upon the sales of articles of luxury and of common use, and upon mineral waters.

There has been established a new stamp tax of 10% on the selling price of commodities, furnishings or articles considered as luxuries, as per a special list which may be modified by a decree of the Minister of Finance.

Commodities, furnishings and any other articles of common use, not considered as luxuries, whose price exceeds five lire, are subject to a stamp tax of 2% on the selling price.

These taxes are charged to the purchaser, who must pay them to the seller at the time of purchase.

Without examining the long list of articles which are considered luxuries, it may be stated that it includes all that is not absolutely necessary to the life of the individual.

The consumption of foreign or Italian mineral waters, excepting those classified as medicinal, will be subject to a tax of 5, 10, 15, etc., centesimi according to the price of each bottle.

THE NATIONAL WEALTH OF ITALY

Signor Corrado Gini, Professor of Economics and Statistics at the Royal University of Padua, a scientist of international prominence, values Italy's wealth, in the year 1914, as follows:

Private wealth	109,000,000,000	-110,000,000,000	lire
Provinces and Communes.....	700,000,000	"	
Public charitable institutions.....	2,500,000,000	"	
Banks of issue.....	3,290,000,000	"	
Savings Banks	350,000,000	"	
Mutual Aid Societies.....	120,000,000	"	
Chambers of Commerce.....	20,000,000	"	
Churches	1,000,000,000	"	
Stock Companies	9,000,000,000	"	
		<hr/>	
	125,980,000,000	or 126,980,000,000	lire

According to Professor Gini's own statement, the above figures do not include wealth of some public bodies, therefore it may be concluded that in the year 1914 Italy's wealth could be stated as 126-127 billion lire.

It is desirable to also take into consideration that the above wealth is based upon values existing in 1914 and does not take into account the abnormal increase in values resulting from the war.

THE NATIONAL DEBT OF ITALY

The total Treasury debt on October 31, 1919, was as follows:

Total of pre-war public debt and national loans....	28,497,000,000	lire
Treasury Bonds (including issues for military expenditures)	15,961,000,000	"
Government Bonds—3 and 5 year.....	6,745,000,000	"
Paper circulation of the Government.....	11,872,000,000	"
Allied Loans	19,984,000,000	"
Other Liabilities	660,000,000	"
	<hr/>	
Total debt	83,719,000,000	lire

